

OPENING STATEMENT OF FORDYCE W. LUIKART, DIRECTOR OF ADMINISTRATION  
DAVIS SUBCOMMITTEE HEARINGS ON MANPOWER UTILIZATION  
HOUSE OF REPRESENTATIVES - 11/3/55

Mr. Chairman and Members of the Committee:

Mr. Folsom, Secretary of the Department of Health, Education, and Welfare, has asked me to represent him at this hearing in response to your request of October 15.

I think it might be helpful to the Committee if I were to do two things: to read, for the benefit of any who are present who may not have had the opportunity to read it, Mr. Folsom's letter of October 26 to your Committee, and then to supplement this statement of the Secretary with a number of comments which will help to put in perspective the various activities of the Department.

Following is Mr. Folsom's letter of October 26, 1955:

"Dear Mr. Chairman:

"This is in response to your letter of October 13, 1955, asking for information as to actions taken by this Department on the suggested steps for manpower control contained in your memorandum entitled, "Seminar on Manpower Utilization in the Federal Government."

"The principal objective which you and your Subcommittee have before you, as I understand it, is that the programs of the Federal Government should be administered in the most efficient and economical manner to the end that there be no waste of manpower or money.

"I subscribe fully to that objective. Since assuming the post of Secretary of this Department on August 1, 1955, I have expressed repeatedly to the people here my desire that we do everything possible to insure that the programs for which we are held accountable are administered at the lowest possible cost to achieve the established objectives as authorized and directed by the Congress without impairment of services to the people of this country.

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"To attain that goal, in addition to the established programs of budget review and management improvement, I have requested that certain steps be taken. Those steps may be described collectively as a request on the principal officers of the Department for a continuing review of activities and solution of major organization and management problems within their jurisdictions so that administrative costs may be kept at an economic minimum.

"Specifically, as a part of the measures taken, I have authorized the establishment of an Office of Internal Audit and an Office of Management Policy. Each of these offices with a very small staff in the Office of the Secretary will be of assistance to our program managers throughout the Department in achieving the best possible management of their responsibilities and will, together with other established management review processes, provide assurance to me that management throughout this Department is as efficient as possible.

"In addition, we are instituting personnel utilization audits in selected parts of the Department. Certain operations of the Department already have established ratios of people needed for specific operations. These have been carefully developed over the years and are being applied. I refer specifically to such staffing ratios in many repetitive processes in the Bureau of Old-Age and Survivors Insurance, in certain personnel operations, in voucher examination, and in Public Health Service hospitals. In certain other operations where we do not have such staffing ratios, personnel utilization audits may be helpful in developing them.

"This specific program, the conduct of personnel utilization audits, is, I believe, in tune with the objectives and methods of improving management which your Committee has in mind.

"Having recently assumed office as Secretary of this Department, it is incumbent upon me to proceed wisely in reviewing programs and in taking steps to strengthen the management of our programs. The programs of this Department, some of which are expanding, are staffed within appropriations authorized by the Congress after careful review of the need by both the Executive and Legislative Branches. To take action precipitously to reduce or "freeze" personnel without careful re-appraisal of need might seriously impair vital services which Congress has directed to be rendered to the people of our country. The program I have outlined above seems to me to be a sound course of action and not out of line with the basic objectives of your Committee.

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"Speaking specifically to the four suggested steps in your memorandum, I have the following comments:

"1. Freeze Order: The immediate issuance of a "freeze order" on personnel hirings without the facts as to personnel needs and use of present staff would be an action which presumes that we have more people on the roll than are required to discharge the responsibilities assigned. This is a particularly risky step to take in connection with our health, education, and welfare programs which have been given specific mandates to expand by recent actions of Congress. Expanded medical research, improved Indian health services, and expanded services under the Old-Age and Survivors Insurance law are examples of such specifically authorized and essential increases. These are programs which touch the lives of all our citizens and any impairment of services, especially recently authorized expanded services, would be undesirable.

"2. Review of Delegations of Authority: It is my understanding that this Department has arrived at the present system of delegations of authority, particularly for hiring people, after considerable experience and study extending over a number of years. Nevertheless, I am having further studies made of this subject with the hope of further improving the delegation arrangements affecting my office and the operating units throughout the Department. Experience dictates, however, that good personnel utilization does not necessarily result from highly centralized control of operations relating to hiring people. Good utilization basically is the product of good supervision at each level. In the conduct of our utilization audits, it is our hope that supervisors will be given additional help in this area of management.

"3. Establishment of Specific Numerical Goal for the Reduction of Manpower: As stated previously, this Department already has established in some areas ratios of people needed to man certain operations. In other operations that is not true but we hope that our personnel audits will give us greater guidance in this respect.

"4. Functional and Personnel Utilization Audits: As indicated above, we have already decided to conduct personnel utilization audits on a selected basis throughout the Department.

"Again I should like to assure you of my wholehearted agreement with your objective that the cost of doing the business of government represented by the number of people on the payroll

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should be carefully scrutinized on a continuing basis. The efficient utilization of manpower has been under continuous review in this Department for a number of years. The President himself has often urged all Departments and agencies of the government to conserve funds to the utmost of their ability by careful utilization of manpower. Furthermore it is my objective that no part of the taxpayers' dollar authorized for programs of this Department be spent for any unnecessary personnel or other administrative costs. On the other hand, I am equally vigorous in my position that the programs assigned by the Congress to this Department shall be fully executed."

Sincerely yours,

/s/ M. B. Folsom  
Secretary

"Hon. James C. Davis  
Chairman, Subcommittee on Manpower  
Utilization and Departmental  
Personnel Management  
Committee on Post Office and Civil Service  
House of Representatives

As I indicated previously, Mr. Chairman, I think it would be helpful to the Committee if I were to indicate in approximate terms how the personnel of our Department is now deployed to accomplish our very numerous missions.

Of the 44,700 persons employed in our Department, approximately 90% are engaged in two types of programs -- health programs and the operation of the world's largest insurance enterprise, "Old-Age and Survivors Insurance." About 52% are engaged in health activities, and 38% in the insurance program. Let me describe each of these briefly.

As I have used the term "health activities", it includes all the activities of the Public Health Service and Saint Elizabeths and Freedmen's Hospitals here in the District of Columbia. The range of

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health activities is tremendous. In the Public Health Service we have 70 hospitals, the largest medical research institution in the world, programs which seek to find solutions to water and air pollution problems, and numerous other activities. I think it would be helpful to describe two of these more specifically as illustrations of the Department's growing programs.

Responsibility for improving the health of Indians was transferred to our Department on last July 1, with the clear expectation that very substantial efforts would be made to improve the poor health conditions among the Indian population. The average age at death of Indians is only 36 years as compared with 61 years for the general population. This situation obviously calls for a considerably expanded health program for Indians to not only raise the level of the present medical care program but also to embark on greater preventive measures looking to the reduction in morbidity. Since taking over the program on July 1, we have added approximately ~~500~~<sup>3900</sup> people. The needs for expanded services are great. Our purpose in this program is to use every Federal dollar available to provide the maximum degree of increased health services for Indians.

Similarly, in medical research, there is an ever-growing need and opportunity for expanding the research work on cancer, heart disease, mental health, and so on. Our program in this area has been expanding continuously for many years and we have not yet reached the stopping point. Our job here, as well as in most other programs of the Department, is one of rendering the maximum return for every

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Federal dollar spent. The majority of the employees of the Public Health Service are in these two activities and fourteen other hospitals.

As I indicated, 38% of our employees are in the Bureau of Old-Age and Survivors Insurance which has developed a well-deserved reputation for being one of the most efficient insurance operations in the world. Most of the operations of that Bureau are conducted on the basis of careful workload analyses and projects. As an example, the Bureau knows from long experience just how many wage items can and should be posted by machine operators per day and per week, and they see that efficiency standards are maintained. The job of the Bureau was greatly increased a year ago by the 1954 amendments to the Social Security Act, adding upwards of 10 million more covered workers, changing the benefit formulae and other provisions of the Act. The Bureau is barely able to meet their present heavy workload but is constantly working toward improving the efficiency of their operation. The Commissioner of Social Security, Mr. Schottland, would be very happy to have members or staff representatives of the Committee visit the headquarters of the Bureau in Baltimore, where there are more than 5,000 employees, to examine at first-hand the extraordinarily effective methods of management and efficiency used by the Bureau of Old-Age and Survivors Insurance.

With 90% of the Department's operations engaged in health and insurance activities, this leaves less than 4,500 employees to perform all other functions of the Department: the Office of Education, the Office of Vocational Rehabilitation, the Children's Bureau, the

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Bureau of Public Assistance, the Food and Drug Administration, and a number of other functions. While the opportunity for manpower savings can always be said to be present, the opportunity for large savings in these programs, where the demands for services far outstrip the capacity of our organizations to provide the services, is obviously not great.

In spite of the fact that the opportunities for manpower savings -- either numerically or percentage-wise -- cannot compare with some other Departments, Mr. Folsom is deeply interested in the purpose of achieving the most effective use of manpower and the elimination of all unnecessary red tape. We are proceeding in accordance with the plan which was outlined in the Secretary's letter. We shall continue along these lines. We are confident that the results will be to raise the level of usefulness and efficiency of the various operating units within the Department.

Thank you very much for the opportunity to present this statement. I will be glad to attempt to answer any questions which you may have.